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C O N F I D E N T I A L BAGHDAD 004231

SIPDIS

E.O. 12958: DECL: 10/14/2015

TAGS: [ECON](#) [ENRG](#) [EPET](#) [PGOV](#) [PREL](#) [TU](#) [IZ](#)

SUBJECT: SOMO ARREARS MOUNTING, FUEL IMPORTS INTERRUPTED

REF: A. KIMMEL-GOLDBERGER-YOUNG EMAILS

[1](#)B. ANKARA 6231

[1](#)C. ANKARA 6095

Classified By: Economic Minister Counselor Tom Delare for reasons 1.4 (b) and (d).

[1](#)1. (C) Summary: Fuel imports from Turkey have been reduced due to canceled contracts, allegations of corruption, and Iraqi arrears to Turkish suppliers. State Oil Marketing Organization (SOMO) officials said October 6 that their outstanding debt to Turkish firms (reftels/emails) was \$25 million, although Finance Minister Allawi acknowledged that arrears of some \$870 million were owed to Turkish firms at a National Energy Council (NEC) meeting the same day. End Summary.

GOI Payment Discrepancies

[1](#)2. (C) In response to Ref C, post was informed October 6 by Deputy Minister of Oil Ahmad al-Shamaa and SOMO representatives that they had cleared the "\$200 million arrears to the Turkish suppliers," and are now down to a more manageable \$25 million debt. Finance Minister Allawi acknowledged at a National Energy Council (NEC) meeting the same day, however, that arrears of some \$870 million were owed to Turkish firms. Turkish MFA reported current arrears of \$900 million on October 14 (Ref A).

Contract Confusion

[1](#)3. (C) Compounding the confusion, SOMO officials said they had terminated some existing six-month contracts midway through their validity, on the grounds that the Turkish suppliers were not meeting their minimum supply obligations: only 35% of the scheduled deliveries had been completed. New contracts have been awarded to a number of smaller firms, bringing the total number of contracts down from 19 to 11, according to SOMO. MoO officials alleged that the Turkish government is preventing these new, smaller suppliers from exporting unless the firms make illicit payments to Turkish officials. Since October 1, imports have indeed been sporadically interrupted, with certain fuels arriving in bulk (kerosene, diesel) while gasoline shipments are lagging. It is unclear whether this phenomenon is due to the contracts, arrears issue or both.

[1](#)4. (SBU) Embassy will approach relevant Iraqi authorities ASAP to urge them to establish a better tracking system for fuel arrears and to make timely payments for deliveries.

Khalilzad